

2.0 LITERITURE REVIEW

2.1. Luxury and Conspicuous Consumption

The role of market research is to make marketing operations more efficient and profitable, by improving quality of planning and decision taking. Market research is involved with a very wide range of activities directed towards helping an organization to supply as efficiently and profitably as possible, goods and services designed so as to satisfy identified consumer needs.

Heller describes a project where consumers in the automobiles market were grouped in terms of specific consumer requirements from automobiles: *styling, size economy, driving characteristics, special features* and *prestige factors*.

Many products possess symbolic functions in addition to their primary functions. Consumers use products to communicate nonverbal messages to others. Everything we buy helps us to identify ourselves to the world at large. Products can be personal symbols (can say something about our personalities), social symbols (can connote our social position), and economic symbols (can indicate our financial status). (*McNeal, 1982*)

It is seemingly necessary for most of us to convey to others who we are. Who we are is essentially embraced by our self-concept, the attitudes and knowledge we hold about ourselves as objects. To convey our self-concept verbally to a large number of people would practically impossible. Much more convenient and less imposing is the use of products to symbolize our self-concept. According to Mowen self –concept is defined as: ***totality of the individual's thoughts and feelings having reference to himself as an object.*** (Mowen and Minor, 1998)

In addition to telling others who we are, products permit us to express our relative social position to other. If we feel socially superior to others. We can separate ourselves from those people with products. To express our perceived social distance from others, we can display products that have socially judged differences from products owned by others.

Sometimes products are used to communicate economic success and security to others. In our nation people often are measured by their economic success. Products come to the rescue by providing a simple, non-arrogant means of symbolizing economic status.

Many lower uppers spend freely on products that are visible to others and that can serve as status symbols for success and power. Success and high-style living is represented by purchases of larger, plush homes, second and third residences and retreats, luxury automobiles, expensive forms of adornment (fine furs, jewelry) custom services (tutors, interior designers) large boats and so on.

They use consumption to reward themselves to reinforce the idea that they have arrived at success and to show others that they have both succeeded and know what to do with their success. This can be a significant market for specialized, high-quality goods and services.

Richin sees materialism as a value rather than a behaviour or personality variable. According to him, one key element of materialism is the belief that one's own or others' success can be measured by the things one owns. If materialists believe that success can be visibly demonstrated through possessions, it stands to reason that expensive luxury goods would be a natural mechanism for such demonstrations. This inference is confirmed by empirical evidence which showed that compared to low

materialists, high materialists are more likely to value expensive objects, items that convey prestige, and objects that enhance the owner's appearance (Richin, 1994a)

According to Joseph .A. Kahl (sociologist) one of the obvious variable in determining social class is personal prestige. Personal prestige referring to the degree of respect others has on a person. A person is said to have high personal prestige when his neighbour in general have an attitude of respect towards him.

Prestige is a sentiment in the minds of men. It is necessary to study prestige in two ways:

1. By asking people about the attitudes of respect toward others
2. By watching their behaviour

Apart from granting prestige to persons, they also grant to abstract occupational titles. Societies vary in the prestige they grant to different spheres of occupation, thus reflecting their values about what they consider important.

From the point of view of sociologist, these prestige group/privilege groups are the one who purchase expensive/luxury automobile like Pontiacs, Buicks, Chryslers and even Cadillacs. In fact, what there is left of big car lust in our society is found at peak strength among the over-privileged group.

According to Albert Shepard (Psychologist), discontent with one's position, especially a gray and anonymous one is a tremendous stimulus for action in an open democratic society.....However, achieving a new status is very far from achieving a new identity. Status is conferred by the outside

world, identity is a self-oriented achievement. Status seeking is a restless demand for a favourable perception of one's position and role by others.

Status was also refer to the place in a particular system, which a certain individual occupies at a particular time with respect to the system. Status has long been used with reference to the position of an individual in the prestige system of his society. In the present usage this is extended to apply to his position in each of the other systems.

According to Veblen in his book " The Theory of Leisure Class", conspicuous consumption behaviour was seen more of social need rather than as a relatively superficial consumer preference. However it is possible that the objective of such behaviour may change when income and wealth changes. It was seen as income has a direct relationship whereby the higher your income, the motivation for such behaviour might move towards gaining recognition from higher socio-economic groups meanwhile reinforcing superiority of status over lower groups.

Veblen saw this behaviour as an unavoidable consequence of a pattern of social evolution, which gives ever-increasing recognition and importance to wealth as the major factor determinant of social position and prestige. He believed that people need to display their wealth apart from financing their status in the society. The admiration from others is an additional "spiritual" bonus. This type of display behaviour is called **The Veblen Effect** is said to be influenced by social and economic environment apart from self-indulgence. A combination of favourable social circumstance will provide impetus for conspicuous consumption and promote this consumer behaviour without fear of condemnation from the society.

Another influence, which was said to have the greatest impact on such behaviour, comes from a community's cultural values. The general values

and specific sub-cultures to which an individual is exposed and to whose behavioural norms he consciously or subconsciously subscribes can be expected to have a profound effect on his overall propensity to conspicuously consume. Many religious sub-cultures strongly oppose the display of wealth and would strongly reject any display of wealth as a form of status and prestige.

Conspicuous consumption is not only significant for upper class but extend to all level of society and all level of classes. If this is the case, the only different will be the type and extend of such behaviour. One motivation which link the conspicuous consumption to all level of society is individual need to secure recognition and prestige from higher-class groups in an attempt to make positive between group social advances.

Reference groups/groups membership is said to be another motivation for conspicuous consumption behaviour. As far as reference groups are concerned, such behaviour is motivated not only by social class distinctions but also by how effective such behaviour is seen to gain approval from the reference groups. And it is argue that pressures both for and against such behaviour will help build up individual's response to multiple reference groups. This may lead us to conclude that the extend of a person's motivation to fall for conspicuous consumption will be directly related to the mix of the groups of which he/she is a member to which he/she aspires to be in and secondly to any rank order of preference between groups which the individual is forced to make. This can be explain in terms of the group reward such behaviour and group rank high on the individual's preference scale of membership and aspirant groups, then the chances of such behaviour happen will be high. However if the groups seen such behaviour unfavorably, chances for such behaviour to occur would be very low or zero.

A brand's prestige is created from a multitude of interactions between the consumer and elements within the environment. According to Vigneron and Johnson (1999), prestige seeking behaviour is the results of multiple motivations, but in particular the motives of sociability and self-expression. They define five values of prestige combined with their motivations as followed:-

Table 2
Prestige Values and Motivations Factor

VALUES	MOTIVATIONS
Conspicuous	Veblenian
Unique	Snob
Social	Bandwagon
Emotional	Hedonist
Quality	Perfectionist

According to them, for veblenian consumer they will attach a greater importance to price as an indicator of prestige, because their primary objective is to impress others. For snob consumers, they will perceived price as an indicator of exclusivity and avoid using popular brands to experiment with inner-directed consumption. Bandwagon consumers however will attach less importance to price as an indicator of prestige, but will put a greater emphasis on the effect they make on others while consuming prestige brands. Hedonist consumer is more different where they are more concern about their own feelings and thoughts, thus they put little emphasis on price as an indicator of prestige. Lastly, perfectionist

Another researcher, Leibenstein (1950), have a different view regarding prestige as he suggested that external effects such as the quantity of good might enhance the utility derived from a product consumed by other persons, or relating to the fact that the product bears a higher price tag. The results of his study emphasized the role of interpersonal effects on the consumption of prestige products. Table 3 will summarize previous researcher work on defining the values of prestige.

Table 3

Example of Research Used to Define the Values of Prestige

AUTHORS	CONSPICUOUSNESS	UNIQUENESS	QUALITY	EXTENDED-SELF	HEDONIST
Veblen (1899)	Conspicuous consumption, Pecuniary emulation, Status & Wealth	Invidious comparison, Distinction	Fashion	Bourgeois Upper-class	Leisure class Pleasure
Leibenstein (1950)	Veblen effect	Snob effect		Bandwagon effect	
Mason (1981 & 1992)	Conspicuous Consumption Status seeking	Scarcity value	Aesthetic quality	Distinction Conformity Achievement	
Bearden & Etzel (1982)	Conspicuous	Exclusivity		Publicly consumed	Privately consumed
Heriuchi (1984)	Most expensive of their category	Limited production Infrequently purchased	Best functional or stylistic values Often hand made	Show who you are	Provide intrinsic enjoyment and satisfaction
Rossiter & Percy (1987)	High involvement Conspicuous brand			Social approval Search audience Personal recognition	Sensory gratification
Richins (1994)	Conspicuous Socially value Expensive Status concern			Success Achievement Expression of the self Stereotypes	Happiness Hedonic potential Pleasure
Dubois & Laurent (1994 & 1996)	Very Expensive Elitism	Few people Distinguish Snob	Better quality Not mass produced	Imitate rich Reveal who you are Refined people	Hedonic motivation Life more beautiful For one's pleasure
Pantzalis (1995)	Setting high price Status symbol	Exclusivity Uniqueness		Aspirational groups	

		Selectivity Accessible Limited supply Scarce for all others		Imitation	
Dubois & Paternault (1997)	Expensiveness	Exclusive clientele Scarcity	Extreme quality Craftsmanship		Hedonic experience Aesthetic appeal
Wong & Ahuvia (1998)	Conspicuous Wealth & social class Expensive & ostentatious Materialism	Conformity versus distinction	Brand manufacturer Country of origin	Public appearances Self-concept Personal success Reputation of family	Hedonic value Pleasure experience

Under the concept of luxury products, the price of products may have a positive role in determining the perception of quality. According to the studies by a few researchers (Erickson and Johansson 1995; Lichtenstein, Bloch, and Black 1988; Tellis and Gaeh 1990) consumer normally will use price cue as an evidence to judge quality and they found a positive relationship between quality and price, also price with level of prestige. Retailers of very expensive products e.g. high fashion, autos tends to use even prices particularly price ending with zero. There appear to be two reasons:

- a. To suggest quality
- b. To suggest prestige

Price may hint of prestige, the ability to pay. Having the ability to pay a relatively high price is prestigious for some people.

Previous research reveals that a perceived limited supply of products will enhance the consumers' value and preference for a brand (Verheallen

1982; Lynn 1991; Pantzalis 1995). The above results is supported by the research done by Solomon 1994 when he states that items that are in limited supply have high value, while those readily available are less desirable. Rare items command respect and prestige. In addition, previous research also discovers that scarcity of products has a greater effect on demand if consumer perceived the product to be unique, popular and expensive. All these results are consistent with psychologists view that individual has the need to express certain degree of uniqueness as an outcome of a social comparison where an individual's desire is to be perceived as different from others. These arguments supported the idea that scarcity and exclusivity of prestige goods would satisfy a need for uniqueness.

Reference group can be another motivation underlining conspicuous consumption. Pressures and demands of one's own membership group and the tendency to conform to reference group will form one's attitude and behaviour. The consumption of luxury item represents one type of materialistic consumer behaviour, whereby those materialistic consumers will regard the possessions of prestige items/brand as a cue to evaluate one's prestige.

Emotional value was identified as one of the essential characteristic, which people acquired from luxury products. One buys luxury products primary for the pleasure of oneself. Researches on the semiotics of luxury have identified the emotional responses associated with the consumption, such as sensory pleasure, aesthetic beauty or excitement. Marketers have long been utilizing the emotional responses expected from the use of luxury automobiles. For example, BMW has for many years used "Sheer Driving Pleasure" as its main slogan and Mercedes has launched its new CLK coupe with the slogan "It's for baby boomers that want to reward themselves.

Quality is another attributes, which underline the study of luxury consumption. "Excellent quality is a sine qua non, and it is important that the premium marketer maintains and develops leadership in quality" (Quelch, 1987) Prestige brands are expected to show evidence of greater quality, and luxury or premium brands should display even greater levels of quality (Garfein 1989; Roux 1995). Consumer will perceived higher price with better quality. Based on the results of previous studies, which relates price with quality, we might suggest that quality cue might be used by consumers to evaluate the level of prestige of a particular brand.

With the changing society at the turn of the millennium, consumers start to embark on the luxury item consumption and the rising of standard of living. The perspective of the financially well off is that having money means more comfortable with importance placed not on elite status or numbers but on a mind-set. (Bonnie Tsui, 2000)

Recent study by market researcher Applied Research & Consulting, found that people favor the ambiguous term of comfortable to describe their financial status compare with traditional term such as wealthy, affluent, rich or well-off. Especially in Spain and US, there is evidence that luxury products including automobiles are strongly linked to the universal notion of "good life" or "comfortable life".

Symbolic brands fulfill needs associated with self-enhancement, role position, group membership or ego-identification (e.g., the images associated with automobiles) Hence, a brand name and its associated image provides consumers with a multitude of attached meaning.

In a research involving three different cultures – U.S, Spain and Taiwan, where respondents was asked to name what type of products or services

which link them to "good life". Across the three cultures, more than half of the brands (53.6%) mentioned are automobiles (e.g., BMW, Porsche, Mercedes). In the same research, the respondents were again asked to think of any brand of products or services which might link them to good life. Again, automobiles are the brands most closely associated with good life. Among all products categories in the above research, automobiles are most often associated with the good life.

2.2 Luxury Automobile Industry

Luxury automobile marketers have been especially successful in communicating the mind-set of being comfortable with what one's finances can afford. For example, the Mercedes-Benz of North America's tagline "**Live. A Lot**" which emphasizes the notion that one's car, a necessity, offers not only comfort but enjoyment as well. British Airways, tagline "**Our pillows are so comfyWhat others consider to be luxuries are necessities to the British**".

"The luxury list items come in at all price points, emphasizing the findings in our study. People want to feel good, people want comfort and people want to express themselves uniquely with their purchases" (Bonnie Tsui, 2000)

Since Volkswagen bought over Rolls Royce and Bentley Motor Cars Of Britain, the company has been propelled to the center of a scramble among German carmakers for the wallets of the newly very rich.

The western prosperity has produced more folks with cash to spend on high ticket autos than ever before – a market built on the polarization of

wealth, the abundance of people with extremely high net worth according to one of the Bentley executive.

BMW is on their way to built Roll-Royces for the superrich who are able to pay up to US\$360,000 for the carriage of choice among the royalty and rock stars. The smaller Bentley model will challenge Daimler-Chrysler's top of the range Mercedes S500 and S600 sedans just as Mercedes introduces its own premium luxury car, called the Maybach. Volkswagen in the other hand is planning to leapfrog all the others by reviving the Italian Bugatti brand with a car for the very, very rich that would retail at approximately US\$700,000 to US\$800,000.

"The feeling is that there's a scope somewhere to tap further into the superrich and more than one level where you can try that," said John Lawson, an auto industry analyst at Schroeder Salomon Smith Barney. According to chief executive of BMW, Mr. Gott, the sales for year 2000 has increased. By the end of August, the company sales showed an increase of 22% from the same period in 1999.

While such upscale marketers as Mercedes-Benz USA and BMW of North America plow the off road field, the Ford Motor Co. upscale British marque hopes to grow share by staying the course with the luxury cars. Luxury SUVs and segment-building crossover vehicles may be the key to future gains by the Europeans. Luxury SUVs are a growth area in the fragmenting SUV market according to Bob Schnorbus, an economic analysis. According to him, with the European entrenched in the luxury market, they are well positioned to move into SUVs. Their quality and reputation carries over from cars and gives them an edge.

Volvo is also attacking the luxury auto market with a tagline, ***“To your body, it’s a luxury car. To the elements, it’s an SUV. To your peace of mind, it’s a Volvo”***.

Audi of America, with unit sales up nearly 34% in the first half of 2000, will employ a similar strategy by capturing on the mind-set of it’s target market when it launches the All road Quattro in early November, 2000.

There is a new trend now for the luxury car market. The traditional large-luxury car market has shifted. It is no longer driven by the size and high price, but now it is driven by brand name and image. This shift in consumer demand cost Cadillac and Lincoln their traditional positions as the top two sellers of luxury automobiles.

Nowadays, buyers in this category are willing to pay for prestige. Consider the situation whereby consumer owned a \$300,000 sedan. There is little true need in owning such an expensive sedan, other than the desire for perceived image and pleasures gained in driving it or just mere owning experience. In US, within those basic price and image guidelines, the prestige automobiles market is vast and growing. At it current pace, more than 1,250,000 units will be sold in calendar 2000, which is a yearly record.

2.3. Current Trend On Luxury Consumption

Research done in UK by a renowned research firm, Applied Futures identified that people’s needs for conspicuous and materialism were increasing whereby they noticed an increasing demand for conspicuous and status products. The same phenomenon appears in Australia where the recent market reports seem to support this prediction too. According

to a report by the Sunday Telegraph, Australia imports of luxury goods increases dramatically, such as increases in demand for mink furs (+1130.8% change from 1995/96), and diamonds (+27.5% change from 1995/96). "Australians have embarked on a shopping spree for imported luxury goods, with sales of diamonds, furs, caviar and champagne jumping this year" (Rees 1997; Vignoran 1999)

According to Echikson, the US economic recovery and the fast growing demand in Asia (before the slowdown in 1997) have also contributed to boost the growth of the luxury market (Vignoran, 1999)

East Asia is currently the biggest market for luxury and prestige brands from the west (Wong and Ahuvia, 1998)

The Japanese these days gobble up anything that connotes class, prestige and status (Powell, 1990)

Throughout Asia, Cognac is an instantly recognized icon. A bottle of cognac affirms self-worth. The golden color of the liquor symbolizes worldly success in an obvious way: By definition if you can afford the drink, you have arrived.... Cognac is unmistakably seen as the mark of luxury and of everything positive about life: Luck, happiness and sexual potency (Asian Business, July 1994 p.52)

East Asians are particularly avaricious luxury consumers and are fast becoming the world's largest brand-name luxury goods market. Export to Asia account for more than 50% of total turnover for French conglomerate of luxury labels: LVMH (Moët Hennessy Louis Vuitton) and Cognac producer Remy Martin ships 58% of its foreign sales to Asian markets (Asian Business, 1994)

Yau (1986) and Zeng (1992) commented on the Hong Kong consumers: "Given the scarcity of resources and opportunities, everyone has to strive hard for them.....Once they have succeeded in this, given the concentration of wealth in a geographically confined area, they need to show those achievement through the possession of publicly visible luxuries in terms of expensive automobiles, ostentatious jewelry, clothes and rare antique."